GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:4781
ANSWERED ON:23.05.2006
WITHDRAWAL OF SPECIAL STATUS OF TRADERS FROM SEZS
Owaisi Shri Asaduddin;Singh Kunwar Rewati Raman

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the Government has withdrawn special status granted to trading activities undertaken at Special Economic Zones(SEZs) as reported in the Times of India dated April 15, 2006;

(b) if so, the details thereof with the reasons therefor;

(c) whether the trading units have been debarred from sourcing goods from the Domestic Trading Area(DTA) affecting exports worth thousands of crores of rupees;

(d) if so, the reasons therefor; and

(e) the steps taken by the Government to restore the status quo ante?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI JAIRAM RAMESH)

(a) to (e) Trading activity by units in a Special Economic Zone (SEZ) did not qualify for any income tax benefits before the coming into force of the SEZ Act,2005 with effect from 10 February, 2006. In order to prevent re-routing of exports by DTA units through SEZ units to claim income tax benefits, a circular had been issued by the Department of Commerce on 24th March 2006 stating that a unit having a letter of approval for trading shall not procure goods from the Domestic Tariff Area (DTA) for trading. However, allowing trading activity based on procurement of goods from the DTA, on condition that this will not qualify for any income tax benefits, is under examination.